

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

March 14, 2013

Chair Patricia Wynne called the meeting to order at 1:01 PM.

Present:

Members: Patricia Wynne for Bill Lockyer, California State Treasurer
Richard Gillihan for Ana J. Matosantos, Director of Finance
Hal Geiogue
Christopher Jennings
Rhonda Johnson

Staff: Zeny M. Agullana, Executive Director, ScholarShare Investment Board
(SIB or Board)
Arlene Greene, Deputy Director, SIB
Stanley Zeto, Manager, SIB
Katie Burns, SIB
Maria Collins, SIB
Brian Gorban, SIB
Sue Lim, SIB
Joyce Eriksson, SIB
Deborah Yang, Senior Attorney, State Treasurer's Office (STO)

Consultants: Jeremy Thiessen, Managing Director, Pension Consulting Alliance, Inc., (PCA)
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)
Via teleconference

TFI: Pamela McNulty, Senior Director, Head of Marketing, TIAA-CREF Tuition
Financing, Inc. (TFI)
Chris Lynch, Director, TFI
Laura Moewe, Director, TFI
Ed Mihallo, Director, Investment and Product Strategy, TFI
Don Wolf, Senior Marketing Manager, TFI
Ralph Clement, Team Manager, Lead Field Consultant, TFI
Garianne Dashiell, Field Consultant, TFI

Chair Wynne declared a quorum present.

Board Agenda Item Number One
Approval of Minutes from December 13, 2012 ScholarShare Investment Board Meeting

The minutes for the December 13, 2012 SIB meeting were presented to the Board.

Board Action

Member Geiogue moved to approve the item before the Board, the minutes for the December 13, 2012 SIB meeting. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Two
Executive Director's Report

Ms. Zeny Agullana, SIB, provided highlights of 2012 and recent activity of accounts and assets in the ScholarShare College Savings Plan (Plan). She also provided highlights on current legislation, including an update on H.R. 529 and H.R. 647.

Ms. Arlene Greene, SIB, introduced new Board member, Christopher Jennings, and also provided highlights of recent marketing and outreach efforts.

Mr. Stanley Zeto, SIB, provided an update on recent contracts and amendments and program updates for the Governor's Scholarship Programs and the California Memorial Scholarship Program.

Board Agenda Item Number Three
Resolution to Approve Increase in the Maximum Account Balance Limit for the ScholarShare Plan

Ms. Greene stated that AKF and SIB staff recommend the Board adopt Resolution No. 2013-01 to increase the ScholarShare maximum account balance limit from \$350,000 to \$371,000 per beneficiary.

Ms. Andrea Feirstein, AKF, provided an overview of AKF's analysis of the maximum account balance limit (limit) and noted that a base of the highest cost schools nationally, and in California, were considered when determining the limit. Ms. Feirstein added that due to the cost of higher education, AKF recommends that the limit for ScholarShare move to a higher range to compete on a national level.

Member Gillihan stated the Governor's concern over the rise in cost of higher education in California state system and, in an effort to make it easier for families to pay for an education, said he was prepared to support the motion.

Board Action

Member Geiogue moved to approve the item before the Board, Resolution No. 2013-01, authorizing the Board to increase the limit for the Plan from \$350,000 to \$371,000 per

beneficiary, effective immediately. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Four

Resolution to Approve Changes to the ScholarShare Monitoring Procedures and Criteria

Mr. Zeto stated that SIB and PCA review the ScholarShare Monitoring Procedures and Criteria (Procedures) annually, and as needed. Mr. Jeremy Thiessen, PCA, reported that additional language was needed to provide clarification on TFI's procedures for calculating fair market value adjustments and on restrictions with the TIAA-CREF Emerging Markets Equity Index Fund.

Board Action

Member Johnson moved to approve the item before the Board, Resolution No. 2013-02, approving changes to the Procedures. The motion was seconded by Member Geiogue and approved by the Board.

Board Agenda Item Number Five

Review of the ScholarShare Statement of Investment Policy

Mr. Zeto stated that TFI and SIB review the ScholarShare Statement of Investment Policy (Policy) annually, and as needed. Mr. Zeto reported that no changes were being recommended at this time.

Member Wynne asked what types of changes were typically made to the policy. Mr. Zeto responded that asset allocation changes for various portfolios would be considered. Mr. Thiessen added that other changes could include updates to various geopolitical and social issues as they relate to the investment options.

Board Agenda Item Number Six

Review and Analysis of TIAA-CREF Tuition Financing, Inc.'s Investment Performance for the ScholarShare Plan for Fourth Quarter 2012

Mr. Thiessen, PCA, presented PCA's Investment Performance Status Report for fourth quarter 2012 comparing each underlying fund allocated to the portfolios to the applicable benchmark criteria. He noted that PCA is not recommending any funds be placed on watch status at this time.

Mr. Mihallo, TFI, presented TFI's Investment Performance Report for the Plan for fourth quarter 2012.

Mr. Zeto reported that staff and PCA had met with the fund managers from each of the outside fund companies this past quarter to discuss their approach and process for managing the funds and analyzing investment objectives and risk allocation.

Board Agenda Item Number Seven
Review of TIAA-CREF Tuition Financing, Inc.’s Administrative Performance for the ScholarShare Plan for Fourth Quarter 2012

Ms. Laura Moewe, TFI, presented TFI’s Administrative Performance Report for the fourth quarter 2012 reporting that TFI underperformed in three areas: Enrollment Kit Processing Timeliness, Call Center Answer Time, and Call Center Abandonment Rate. Ms. Moewe provided additional explanation for the areas of underperformance.

Ms. Agullana reported that staff met with the call center and operations group in February to discuss and review the processes and procedures in place to manage the plan. It was observed that the use of technology was helpful with efficiency, as was anticipating workload based on special events or seasons with elevated call volumes.

Board Agenda Item Number Eight
Review of TIAA-CREF Tuition Financing, Inc.’s Marketing Performance for the ScholarShare Plan for 2012

Ms. Greene reported that due to the coordinated efforts of SIB and TFI, ScholarShare’s branding had been successful in 2012. SIB’s entry into social media and the blogger community has also proved to be worthwhile in marketing and outreach endeavors.

Mr. Don Wolf, TFI, presented TFI’s 2012 Marketing Performance report for the Plan. He highlighted account and asset figures, as well as results for its marketing efforts. These included: online and print advertising, social media, local market development, radio, public relations, and statewide initiatives. Mr. Wolf noted that ScholarShare’s focus is on parents with children between ages 0-9, grandparents, and employers.

Public Comment

Chair Wynne called for public comment. There was none.

There being no further business before the Board, the Chair adjourned the meeting at 2:24 PM.

Respectfully submitted by,

Zeny M. Agullana, Executive Director
ScholarShare Investment Board